

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2018-318-E

In the Matter of:)	
)	
Application of Duke Energy Progress,)	DIRECT TESTIMONY OF
LLC for Adjustments in Electric Rate)	KENDRA A. WARD FOR
Schedules and Tariffs)	DUKE ENERGY PROGRESS, LLC

I. INTRODUCTION AND PURPOSE

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Kendra A. Ward. My business address is 550 South Tryon Street,
3 Charlotte, North Carolina.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am a Rates and Regulatory Strategy Manager supporting both Duke Energy
6 Progress, LLC (“DE Progress” or the “Company”) and Duke Energy Carolinas,
7 LLC (“DE Carolinas”).

8 **Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL**
9 **QUALIFICATIONS.**

10 A. I have a Bachelor of Arts degree in Political Science and Economics from the
11 University of North Carolina at Chapel Hill and a Masters in Accounting from
12 Appalachian State University. I am a certified public accountant licensed in the
13 State of North Carolina. I began my career in 2004 with Cherry, Bekaert &
14 Holland, LLP (now known as Cherry Bekaert) as a staff auditor. From 2006 until
15 2013 I held various financial accounting and reporting roles at Cherry Bekaert;
16 Wachovia Bank (now known as Wells Fargo) and The Shaw Group, Inc. (now
17 known as CB&I). In 2013, I started at Duke Energy as Lead Accounting Analyst
18 and held a variety of positions in the finance organization. I joined the Rates
19 Department in 2016 as Manager, Rates and Regulatory Filings.

1 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS COMMISSION?

2 A. Yes. I testified before the Public Service Commission of South Carolina
3 (“PSCSC” or “Commission”) in two of DE Progress’ fuel and environmental cost
4 recovery proceeding, most recently in Docket No. 2018-1-E.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
6 **PROCEEDING?**

7 A. My testimony supports the fuel component of proposed base rates for all customer
8 classes. In addition, I support the fuel pro forma adjustment to the Company’s
9 revenue, operating expenses and rate base for the twelve-month period ending
10 December 31, 2017 (“Test Period”), reflected in Bateman Exhibit 1.

11 **Q. YOUR TESTIMONY INCLUDES ONE EXHIBIT. WAS WARD EXHIBIT**
12 **1 PREPARED BY YOU OR AT YOUR DIRECTION AND SUPERVISION?**

13 A. Yes.

14 **Q. DID YOU PROVIDE ANY INFORMATION INCLUDED IN EXHIBITS**
15 **SPONSORED BY OTHER COMPANY WITNESSES?**

16 A. Yes. I provided the proposed fuel rate and annualized fuel expense pro forma
17 adjustments to the Company’s Test Period operating expenses and rate base.

18 **Q. HOW IS THE REMAINDER OF YOUR TESTIMONY ORGANIZED?**

19 A. The remainder of my testimony is organized as follows:

20 II. BASE FUEL FACTORS

21 III. PRO FORMA ADJUSTMENTS

22 IV. CONCLUSION

II. BASE FUEL FACTORS

Q. WHAT BASE FUEL FACTORS DOES DUKE ENERGY PROGRESS PROPOSE TO USE IN THIS DOCKET?

A. The Company proposes to use the following base fuel factors by customer class (excluding gross receipts tax and regulatory fees):

- Residential 3.087 cents per kWh
- General Service-Non Demand 2.801 cents per kWh
- General Service-Demand 2.366 cents per kWh, 89 cents per KW¹
- Lighting 2.366 cents per kWh

These proposed factors are equal to the total of the fuel, environmental, Distributed Energy Resource Program (“DERP”) avoided costs, and the capacity related costs, including the Public Utility Regulatory Policies Act (“PURPA”) purchased power capacity cost factors, by customer class approved in Docket No. 2018-1-E and implemented on July 1, 2018. These factors represent the fuel-related amounts that the Company is collecting from its South Carolina retail customers through its approved rates at the time of preparation of this filing.

Q. WHAT LEVEL OF FUEL COSTS HAS THE COMPANY INCLUDED IN COST OF SERVICE?

A. As shown on Ward Exhibit 1, the Company’s South Carolina retail adjusted fuel costs expense for the Test Period was \$170,720,595. This amount was calculated using the base fuel cost factors identified above and South Carolina retail Test

¹ The environmental, DERP avoided costs, and capacity related components of fuel costs factors are billed on a cents per KW basis for General Service-Demand customers.

1 Period actual kWh sales by customer class, or the actual kW sales by customer
2 class. The calculated expense was then adjusted to reflect the South Carolina
3 retail level of line loss. I provided the amount necessary to adjust test period fuel
4 expense to \$170,720,595 to Witness Bateman and it is reflected it in the operating
5 expenses shown on Bateman Exhibit 1, page 3.

6 **Q. PLEASE EXPLAIN THE DERIVATION OF THE FUEL COST FACTORS**
7 **BY CUSTOMER CLASS.**

8 A. The fuel cost factors by customer class represent the most recently approved
9 billing factors at the time the Company prepared its rate increase application and
10 supporting exhibits in this proceeding. Specifically, these factors were approved
11 by the Public Service Commission of South Carolina (the "Commission") in
12 Docket No. 2018-1-E, and supported by the 2018 Ward Exhibits² filed in that
13 proceeding. These factors were based on: (1) forecasted kWh sales for the billing
14 period July 2018 through June 2019 and estimated fuel, environmental, DERP
15 avoided costs, and capacity related costs to supply those sales, and (2) an
16 adjustment for the under recovery from the preceding twelve-month period.

17 **Q DOES THE USE OF THESE BASE FUEL FACTORS AFFECT THE**
18 **COMPANY'S REQUESTED RATE INCREASE?**

19 A. No. As described below, the Company's requested increase in revenues in this
20 case is related to non-fuel revenues. There will be no change to customers' bills
21 as a consequence of inclusion of these fuel cost factors in the Company's
22 proposed base rates. The Company will continue to bill customers the fuel rates

² Ward Exhibits 1 through 15 filed in Docket No. 2018-1-E (collectively "2018 Ward Exhibits").

1 authorized by the Commission in its annual fuel proceedings.

2 **III. PRO FORMA ADJUSTMENTS**

3 **Q. ARE YOU SUPPORTING ANY ACCOUNTING AND PRO FORMA**
4 **ADJUSTMENTS IN THIS PROCEEDING?**

5 A. Yes. As discussed by Company Witness Bateman, I provide support for the fuel
6 adjustment, and fuel-related rate base adjustments for the Test Period, shown on
7 pages 3 and 4 of Bateman Exhibit 1.

8 **Q. PLEASE DESCRIBE THIS PRO FORMA ADJUSTMENT.**

9 A. The pro-forma adjustment I support is as follows:

10 Bateman Exhibit 1, Page 3, Line 2 adjusts fuel and fuel-related expense in
11 the Test Period to reflect the fuel rates approved by the Commission in Order
12 No.2018-456, effective July 1, 2018. In addition, the DERP incremental costs as
13 reflected in the general ledger are being adjusted to equal the DERP incremental
14 charge as approved in Order No.2018-456, effective July 1, 2018. In general, this
15 adjustment effectively eliminates the impact of fuel, fuel-related and DERP
16 charges in this rate case, such that the proposed revenue increase is related to only
17 nonfuel revenues.

18 Bateman Exhibit 1, Page 4d, Line 9 removes the unamortized DERP solar
19 rebate regulatory asset balance that the company is amortizing over 15 years
20 within the annual fuel filing, and the associated deferred income tax balance
21 related to the rebate deferral. The solar rebate unamortized accrual balance
22 represents the amount of DERP costs yet to be recovered as of December 31,

1 2017, as reflected in the Company's previously approved fuel proceeding in
2 Docket No. 2018-1-E.

3 These adjustments are needed to eliminate the impact of fuel, fuel-related
4 and DERP charges in this rate case.

5 **Q. CAN YOU FURTHER DESCRIBE HOW THIS PRO FORMA**
6 **ELIMINATES THE IMPACTS OF FUEL IN THIS CASE?**

7 A. Yes. Fuel and fuel-related expenses for each customer class have been adjusted to
8 equal the fuel revenue that is reflected in the annualized retail revenues. This
9 results in fuel expense and fuel revenues offsetting each other, leaving no impact
10 to this rate case.

11 **Q. CAN YOU FURTHER DESCRIBE HOW THIS PRO FORMA**
12 **ELIMINATES THE IMPACTS OF DERP INCREMENTAL COSTS IN**
13 **THIS CASE?**

14 A. Yes. The pro forma adjusts both revenues and expenses to eliminate the impacts
15 of DERP incremental costs. First, since DERP incremental costs are recovered as
16 a component of the Company's fuel factors under S.C. Code Ann. § 58-39-
17 130(A)(2), all DERP incremental revenues were excluded from the annualized
18 retail revenue calculation. In addition, DERP related general and administrative
19 expenses and DERP rebate amortization expenses were removed. Then, in order
20 to negate any impacts of 1) DERP administrative charge for metering costs, and
21 2) the DERP Net Energy Metering Incentive, an equal and offsetting revenue
22 amount for these two items was added. This approach was used since the
23 individual cost components of these items are not easily identifiable.

IV. CONCLUSION

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2 Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

3 A. Yes.

DUKE ENERGY PROGRESS, LLC
South Carolina Retail Adjusted Fuel and Fuel-Related Costs
Twelve Months Ended December 31, 2017

Line							
<u>No.</u>	<u>Description</u>	<u>Residential - kWh</u> (Col. 1)	<u>General Service - Non-Demand - kWh</u> (Col. 2)	<u>General Service - Demand - kWh</u> (Col. 3)	<u>General Service - Demand - kW</u> (Col. 4)	<u>Lighting - kWh</u> (Col. 5)	<u>SC Retail</u> (Col. 6)
1	SC retail sales, per books	2,018,334,046	289,722,475	3,832,007,982		83,415,291	6,223,479,794
2	General Service - Demand billed kW				8,068,070		
3	System fuel and fuel-related costs factors - cents per kWh	3.087	2.801	2.366		2.366	
4	System fuel and fuel-related costs factors - cents per kW				89		
5	Total SC retail fuel and fuel-related costs (\$ 000)	\$ 62,306	\$ 8,115	\$ 90,665	\$ 7,181	\$ 1,974	\$ 170,241
8	SC retail line loss differential (\$ 000)						\$ 480
9	Total adjusted SC retail fuel and fuel-related costs (\$000)						<u>\$ 170,720.595</u>